

Grundy Center Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2009

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## Grundy Center Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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#### Board of Education

##### (Before September 2008 Election)

Mark Dunnick	President	2010
Doug Jordan	Vice President	2008
Kelly Matthews	Board Member	2009
Gene Sandell	Board Member	2009
Bob Johanns	Board Member	2010

#### Board of Education

##### (After September 2008 Election)

Doug Jordan	President	2011
Kelly Matthews	Vice President	2009
Mark Dunnick	Board Member	2010
Gene Sandell	Board Member	2009
Bob Johanns	Board Member	2010

#### School Officials

John Stevens	Superintendent	2009
Mary Boege	District Secretary/Treasurer and Business Manager	2009
T.J. Heronimus	Attorney	2009

## Independent Auditor's Report

To the Board of Education of  
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District, Grundy Center, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

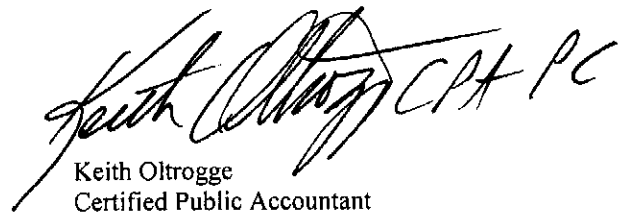
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 8, 2010 on my consideration of Grundy Center Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

February 8, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Grundy Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,712,366 in fiscal 2008 to \$5,792,536 in fiscal 2009, and General Fund expenditures increased from \$5,555,308 in fiscal 2008 to \$5,826,582 in fiscal 2009. The District's General Fund balance decreased from \$1,112,361 in fiscal 2008 to \$1,079,738 in fiscal 2009, a 3% decrease.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in instruction expenditures.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decrease from 19.7% in fiscal 2008 to 15.3% in fiscal 2009. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Grundy Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grundy Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy Center Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Grundy Center Community School District Annual Financial Report**

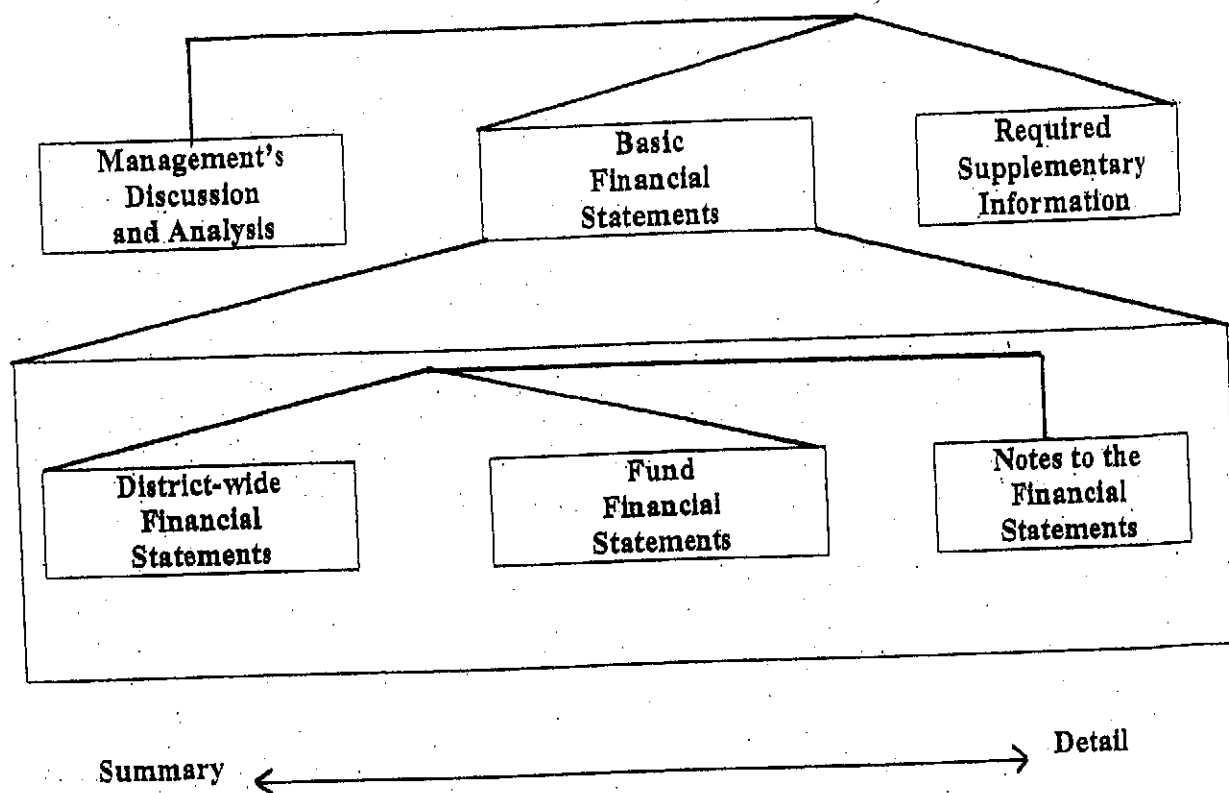


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$4,488,344	\$4,340,806	\$15,520	\$3,277	\$4,503,864	\$4,344,083	\$159,781
Capital assets	5,897,015	5,576,903	50,547	50,216	5,947,562	5,627,119	320,443
Total assets	\$10,385,359	\$9,917,709	\$66,067	\$53,493	\$10,451,426	\$9,971,202	\$480,224
Long-term liabilities	\$2,213,337	\$2,294,595	\$-	\$-	\$2,213,337	\$2,294,595	-\$81,258
Other liabilities	2,916,328	2,644,634	13,362	20,130	2,929,690	2,664,764	264,926
Total liabilities	\$5,129,665	\$4,939,229	\$13,362	\$20,130	\$5,143,027	\$4,959,359	\$183,668
Net assets:							
Invested in capital assets, net of related debt	\$4,062,105	\$3,606,911	\$15,520	\$50,216	\$4,077,625	\$3,657,127	\$420,498
Restricted	52,578	19,008	20,306	20,306	72,884	39,314	33,570
Unrestricted	1,141,011	1,352,561	16,879	-37,159	1,157,890	1,315,402	-157,512
Total net assets	\$5,255,694	\$4,978,480	\$52,705	\$33,363	\$5,308,399	\$5,011,843	\$296,556

The District's combined net assets increased by approximately 10.4%, or \$420,000, over the prior year. The largest portion of the District's net assets is the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets at June 30, 2009 increased by approximately 46.1%, or \$34,000, over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$158,000, or 12%.

Figure A-4 shows the change in net assets for the year ended June 30, 2009.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$784,865	\$208,849	\$993,714
Operating grants, contributions and restricted interest	831,637	121,540	953,177
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,696,006	-	2,696,006
Local option sales and service tax	376,234	-	376,234
Unrestricted state grants	2,437,997	-	2,437,997
Unrestricted investment earnings	27,855	242	28,097
Other	311,867	-	311,867
Total revenues	\$7,466,461	\$330,631	\$7,797,092
Program expenses:			
Governmental activities:			
Instruction	\$4,810,180	\$-	\$4,810,180
Support services	1,959,253	-	1,959,253
Non-instructional programs	1,500	310,247	311,747
Other expenses	419,737	-	419,737
Total expenses	\$7,190,670	\$310,247	\$7,500,917
Change in net assets	\$275,791	\$20,384	\$296,175

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$7,466,461 and expenses were \$7,190,670. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$4,810,180	\$4,201,294	\$608,886	\$3,277,559	\$2,860,227	\$417,332
Support Services	1,959,253	1,963,082	-3,829	1,875,372	1,748,734	126,638
Non-instructional programs	1,500	1,500	-	1,500	1,500	-
Other expenses	419,737	315,676	104,061	419,737	315,676	104,061
Totals	\$7,190,670	\$6,481,552	\$709,118	\$5,574,168	\$4,926,137	\$648,031

- The cost financed by users of the District's programs was \$993,714.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$953,177.
- The net cost of governmental activities was financed with \$3,072,240 in property and other taxes and \$2,437,997 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$330,631 and expenses were \$310,247. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Grundy Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,607,133 below last year's ending fund balances of \$1,723,317. The primary reason for the decrease in combined fund balances in fiscal 2009 is due to expenditures exceeding revenues for the year.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,112,361 to \$1,079,738.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$160,073 in fiscal 2008 to \$76,208 in fiscal 2009.
- The Capital Projects Fund balance increased from \$241,621 in fiscal 2008 to \$283,288 in fiscal 2009.
- The Management Levy Fund ended fiscal 2009 with a balance of \$59,274. This is an decrease of \$5,384 from fiscal 2008.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$33,363 at June 30, 2008 to \$52,705 at June 30, 2009, representing an increase of approximately 36.7%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$165,114 less than budgeted receipts, a variance of 2.1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$5.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 5.4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$390,266.

The original cost of the District's capital assets was \$12.1 million. Governmental funds account for \$12.0 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$21,252	\$21,252	\$-	\$-	\$21,252	\$21,252	\$-
Construction in Process	-	143,389	-	-	-	143,389	-143,389
Buildings	4,024,626	3,821,789	-	-	4,024,626	3,821,789	202,837
Improvements other than buildings	244,924	212,745	-	-	244,924	212,745	32,179
Furniture and equipment	1,606,213	1,377,728	50,547	50,216	1,656,760	1,427,944	228,816
Totals	\$5,897,015	\$5,576,903	\$50,547	\$50,216	\$5,947,562	\$5,627,119	\$320,443

### Long-Term Debt

At June 30, 2009, the District had \$2,213,337 in general obligation, notes payable and other long-term debt outstanding. This represents a decrease of approximately 3.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
Revenue bond	\$595,000	\$680,000	-\$85,000
General obligation bonds	890,000	1,165,000	-275,000
Capital leases	49,910	99,424	-49,514
Notes payable	300,000	25,568	274,432
Early retirement	374,275	320,301	53,974
Accrued vacations	4,152	4,302	-150
Totals	\$2,213,337	\$2,294,595	-\$81,258

## **ECONOMIC FACTORS BEARING ON THE DISTRICTS FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District has experienced increasing enrollment which brings with it an increase in tax dollars and state aid.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Boege, District Secretary/Treasurer and Business Manager, Grundy Center Community School District, 1301-12<sup>th</sup> Street, Grundy Center IA 50638.

## **Basic Financial Statements**

## Grundy Center Community School District

## Statement of Net Assets

June 30, 2009

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,427,887	\$ 9,357	\$ 1,437,244
Receivables:			
Property tax:			
Delinquent	32,501	-	32,501
Succeeding year	2,628,409	-	2,628,409
Accounts	29,608	487	30,095
Due from other governments	369,939	-	369,939
Inventories	-	5,676	5,676
Capital assets, net of accumulated depreciation	5,897,015	50,547	5,947,562
<b>Total Assets</b>	<b>\$ 10,385,359</b>	<b>\$ 66,067</b>	<b>\$ 10,451,426</b>
<b>Liabilities</b>			
Accounts payable	\$ 56,533	\$ 9,088	\$ 65,621
Salaries and benefits payable	33,617	-	33,617
Accrued interest payable	35,117	-	35,117
Deferred revenue-succeeding year property tax	2,628,409	-	2,628,409
Deferred revenue-other	162,652	4,274	166,926
Long-term liabilities:			
Portion due within one year:			
Revenue bond	90,000	-	90,000
General obligation bonds payable	280,000	-	280,000
Capital lease	49,910	-	49,910
Notes payable	300,000	-	300,000
Early retirement	110,930	-	110,930
Accrued vacations	4,152	-	4,152
Portion due after one year:			
Revenue bond	505,000	-	505,000
General obligation bonds payable	610,000	-	610,000
Early retirement	263,345	-	263,345
<b>Total Liabilities</b>	<b>\$ 5,129,665</b>	<b>\$ 13,362</b>	<b>\$ 5,143,027</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 4,062,105	\$ 15,520	\$ 4,077,625
Restricted for:			
Categorical funding	186,898	-	186,898
Management levy	-319,153	-	-319,153
Physical plant and equipment levy	76,208	-	76,208
Other special revenue purposes	73,564	-	73,564
Debt service	35,061	-	35,061
Other	-	20,306	20,306
Unrestricted	1,141,011	16,879	1,157,890
<b>Total Net Assets</b>	<b>\$ 5,255,694</b>	<b>\$ 52,705</b>	<b>\$ 5,308,399</b>



**Grundy Center Community School District**

**Statement of Activities**

**Year Ended June 30, 2009**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,913,179	\$ 275,772	\$ 714,171	\$ -
Special instruction	788,520	76,203	105,561	-
Other instruction	1,108,481	355,194	5,720	-
	<u>\$ 4,810,180</u>	<u>\$ 707,169</u>	<u>\$ 825,452</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 114,657	\$ -	\$ 4,329	\$ -
Instructional staff services	180,266	-	-	-
Administration services	700,653	-	-	-
Operation and maintenance of plant services	612,090	11,752	-	-
Transportation services	351,587	65,944	1,856	-
	<u>\$ 1,959,253</u>	<u>\$ 77,696</u>	<u>\$ 6,185</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 112,055	\$ -	\$ -	\$ -
Long-term debt interest	85,023	-	-	-
AEA flow-through	222,659	-	-	-
	<u>\$ 419,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,190,670</u>	<u>\$ 784,865</u>	<u>\$ 831,637</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	\$ 310,247	\$ 208,849	\$ 121,540	\$ -
<b>Total</b>	<u>\$ 7,500,917</u>	<u>\$ 993,714</u>	<u>\$ 953,177</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,923,236	\$	\$ -1,923,236
-606,756		-606,756
-747,567		-747,567
\$ -3,277,559	\$	\$ -3,277,559
\$ -110,328	\$	\$ -110,328
-180,266		-180,266
-700,653		-700,653
-600,338		-600,338
-283,787		-283,787
\$ -1,875,372	\$	\$ -1,875,372
\$ -1,500	\$	\$ -1,500
\$ -112,055	\$	\$ -112,055
-85,023		-85,023
-222,659		-222,659
\$ -419,737	\$	\$ -419,737
\$ -5,574,168	\$	\$ -5,574,168
\$ -	\$ 20,142	\$ 20,142
\$ -5,574,168	\$ 20,142	\$ -5,554,026

**Grundy Center Community School District**

**Statement of Activities**

**Year Ended June 30, 2009**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net assets before sale of assets			
 Loss on disposal of assets			
Sale of assets			
 Total Sale of Assets and Transfers			
 Change in net assets			
Net assets beginning of year			
 Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	2,111,730	\$ -	\$ 2,111,730
	318,540	-	318,540
	265,736	-	265,736
	376,234	-	376,234
	2,437,997	-	2,437,997
	27,855	242	28,097
	311,867	-	311,867
\$	5,849,959	\$ 242	\$ 5,850,201
\$	275,791	\$ 20,384	\$ 296,175
\$	-	\$ -1,042	\$ -1,042
	1,423	-	1,423
\$	1,423	\$ -1,042	\$ 381
\$	277,214	\$ 19,342	\$ 296,556
	4,978,480	33,363	5,011,843
\$	5,255,694	\$ 52,705	\$ 5,308,399

**Grundy Center Community School District**

**Balance Sheet  
Governmental Funds**

**June 30, 2009**

	General	Capital Projects	Non-Major Revenue	Total
<b>Assets</b>				
Cash and pooled investments	\$ 994,631	\$ 164,453	\$ 268,803	\$ 1,427,887
Receivables:				
Property Tax:				
Delinquent	22,985	-	9,516	32,501
Succeeding year	1,839,364	-	789,045	2,628,409
Accounts	28,481	-	1,127	39,608
Due from other governments	251,104	118,835	-	369,939
<b>Total Assets</b>	<b>\$ 3,136,565</b>	<b>\$ 283,288</b>	<b>\$ 1,068,491</b>	<b>\$ 4,488,344</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 43,446	\$ -	\$ 13,087	\$ 56,533
Salaries and benefits payable	11,365	-	22,252	33,617
Deferred Revenue:				
Succeeding year property tax	1,839,364	-	789,045	2,628,409
Other	162,652	-	-	162,652
<b>Total Liabilities</b>	<b>\$ 2,056,827</b>	<b>\$ -</b>	<b>\$ 824,384</b>	<b>\$ 2,881,211</b>
Fund Balances:				
Reserved for:				
Categorical funding	\$ 186,898	\$ -	\$ -	\$ 186,898
Debt service	-	-	35,061	35,061
Unreserved	892,840	283,288	209,046	1,385,174
<b>Total Fund Balance</b>	<b>\$ 1,079,738</b>	<b>\$ 283,288</b>	<b>\$ 244,107</b>	<b>\$ 1,607,133</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,136,565</b>	<b>\$ 283,288</b>	<b>\$ 1,068,491</b>	<b>\$ 4,488,344</b>

**Grundy Center Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2009**

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,607,133
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,897,015
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-35,117
Long-term liabilities, including bonds and notes payable, early retirement, and accrued vacations are not due and payable in the current period and, therefore, are not reported in the funds	<u>-2,213,337</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ 5,255,694</u>

## Grundy Center Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2009

	General	Capital Projects	Non-Major Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,943,616	\$ 376,231	\$ 752,390	\$ 3,072,240
Tuition	337,417	-	-	337,417
Other	242,376	144,689	400,105	787,170
Intermediate sources	-	-	-	-
State sources	3,064,724	-	507	3,065,231
Federal sources	204,403	-	-	204,403
Total Revenues	\$ 5,792,536	\$ 520,923	\$ 1,153,002	\$ 7,466,461
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,546,260	\$ -	\$ 121,864	\$ 2,668,124
Special instruction	782,801	-	-	782,801
Other instruction	609,744	-	421,291	1,031,035
	\$ 3,938,805	\$ -	\$ 543,155	\$ 4,481,960
Support Services:				
Student services	\$ 114,357	\$ -	\$ 300	\$ 114,657
Instructional staff services	179,966	-	300	180,266
Administration services	691,604	-	2,000	693,604
Operation and maintenance of plant services	475,267	-	104,754	580,021
Transportation services	203,924	-	105,181	309,105
	\$ 1,665,118	\$ -	\$ 212,535	\$ 1,877,653
Non-instructional programs	\$ -	\$ -	\$ 1,500	\$ 1,500
Other Expenditures:				
Facilities acquisition	\$ -	\$ 666,963	\$ 121,200	\$ 788,163
Long-Term Debt:				
Principal	-	-	435,082	435,082
Interest and fiscal charges	-	-	77,051	77,051
AEA flow-through	222,659	-	-	222,659
	\$ 222,659	\$ 666,963	\$ 633,333	\$ 1,522,955
Total Expenditures	\$ 5,826,582	\$ 666,963	\$ 1,390,523	\$ 7,884,068
Excess (deficiency) of revenues over (under) expenditures	\$ -34,046	\$ -146,040	\$ -237,521	\$ -417,607
Other Financing Sources (Uses):				
Proceeds from capital lease	\$ -	\$ -	\$ 300,000	\$ 300,000
Sale of equipment	1,423	-	-	1,423
Transfers in	-	300,000	193,796	493,796
Transfers out	-	-112,293	-381,503	-493,796
Total other financing sources (uses)	\$ 1,423	\$ 187,707	\$ 112,293	\$ 301,423
Net change in fund balances	\$ -32,623	\$ 41,667	\$ 125,228	\$ -116,184
Fund balances beginning of year	1,112,361	241,621	369,335	1,723,317
Fund Balances End of Year	\$ 1,079,738	\$ 283,288	\$ 244,107	\$ 1,607,133
See notes to financial statements.				

**Grundy Center Community School District**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2009**

**Net change in fund balances – total governmental funds (page 18)**

\$ -116,184

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 700,036	
Depreciation expense	<u>379,924</u>	320,112

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -300,000	
Repaid	<u>435,082</u>	135,082

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-7,972

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Accrued vacations	\$ 150	
Early retirement	<u>-53,974</u>	-53,824

**Change in Net Assets of Governmental Activities (page 15)**

\$ 277,214



**Grundy Center Community School District**

**Statement of Net Assets  
Proprietary Fund**

**June 30, 2009**

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 9,357
Accounts receivable	487
Inventories	5,676
Capital assets, net of accumulated depreciation	50,547
<b>Total Assets</b>	<b>\$ 66,067</b>
<b>Liabilities</b>	
Account payable	\$ 9,088
Deferred revenue	4,274
<b>Total Liabilities</b>	<b>\$ 13,362</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 15,520
Restricted	20,306
Unrestricted	16,879
<b>Total Net Assets</b>	<b>\$ 52,705</b>

**Grundy Center Community School District**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund**

**June 30, 2009**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 208,849
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 79,417
Benefits	28,133
Purchased services	4,268
Supplies	188,087
Depreciation	10,342
Total operating expenses	\$ 310,247
Operating loss	\$ -101,398
Non-operating revenues:	
Loss on disposal of equipment	\$ -1,042
State sources	3,693
Federal sources	117,847
Interest income	242
Total non-operating revenues	\$ 120,740
Change in net assets	\$ 19,342
Net assets beginning of year	33,363
Net Assets End of Year	\$ 52,705

**Grundy Center Community School District**

**Statement of Cash Flows  
Proprietary Fund**

**Year Ended June 30, 2009**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 208,957
Cash paid to employees for services	-107,550
Cash paid to suppliers for goods or services	-172,508
Net cash used by operating activities	<u>\$ -71,101</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,693
Federal grants received	93,969
Net cash provided by non-capital financing activities	<u>\$ 97,662</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -2,626</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 242</u>
Net increase in cash and cash equivalents	\$ 24,177
Cash and cash equivalents beginning of year	<u>-14,820</u>
Cash and Cash Equivalents End of Year	<u>\$ 9,357</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -101,398
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,907
Depreciation	10,342
(Increase) in inventories	-3,963
(Increase) in accounts receivable	-3
(Decrease) in accounts payable	-1,097
Increase in deferred revenue	111
Net Cash Used by Operating Activities	<u>\$ -71,101</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$24,907 of federal commodities.

Grundy Center Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 538	\$ 5,060
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 5,060
<b>Net Assets</b>		
Reserved for scholarships	\$ 538	\$ -

**Grundy Center Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2009**

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ -
Deductions:	
Support services:	
Services	\$ -
Change in net assets	\$ -
Net assets beginning of year	<u>538</u>
Net Assets End of Year	<u>\$ 538</u>

## Grundy Center Community School District

### Notes to Financial Statements

June 30, 2009

#### (1) Summary of Significant Accounting Policies

Grundy Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Grundy Center, Iowa and portions of the predominately agricultural territories in Grundy and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Grundy Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Grundy Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Funds are custodial in nature, assets equal liabilities, and they do not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.



Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2009, expenditures in the support services functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 81,503
Debt Service	Capital Projects	112,293
Capital Projects	Physical Plant and Equipment Levy	300,000
		<u>\$ 493,796</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 21,252	\$ -	\$ -	\$ 21,252
Construction in Process	143,389	-	143,389	-
Total capital assets not being depreciated	<u>\$ 164,641</u>	<u>\$ -</u>	<u>\$ 143,389</u>	<u>\$ 21,252</u>
Capital assets being depreciated:				
Buildings	\$ 6,967,030	\$ 317,726	\$ -	\$ 7,284,756
Improvements other than buildings	443,346	47,157	-	490,503
Furniture and equipment	3,755,086	478,542	-	4,233,628
Total capital assets being depreciated	<u>\$ 11,165,462</u>	<u>\$ 843,425</u>	<u>\$ -</u>	<u>\$ 12,008,887</u>
Less accumulated depreciation for:				
Buildings	\$ 3,145,241	\$ 114,889	\$ -	\$ 3,260,130
Improvements other than buildings	230,601	14,978	-	245,579
Furniture and equipment	2,377,358	250,057	-	2,627,415
Total accumulated depreciation	<u>\$ 5,753,200</u>	<u>\$ 379,924</u>	<u>\$ -</u>	<u>\$ 6,133,124</u>
Total capital assets being depreciated, net	<u>\$ 5,412,262</u>	<u>\$ 463,501</u>	<u>\$ -</u>	<u>\$ 5,875,763</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,576,903</u>	<u>\$ 463,501</u>	<u>\$ 143,389</u>	<u>\$ 5,897,015</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 128,302	\$ 11,715	\$ 15,858	\$ 124,159
Less accumulated depreciation	78,086	10,342	14,816	73,612
Business Type Activities Capital Assets, Net	<u>\$ 50,216</u>	<u>\$ 1,373</u>	<u>\$ 1,042</u>	<u>\$ 50,547</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 202,859
Special	5,719
Other	89,746

Support services:

Administration	7,049
Operation and maintenance of plant	32,069
Transportation	42,482

Total Depreciation Expense – Governmental Activities \$ 379,924

Business Type Activities:

Food service operations	<u>\$ 10,342</u>
-------------------------	------------------

**(5) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bond	\$ 680,000	\$ -	\$ 85,000	\$ 595,000	\$ 90,000
General obligation bonds	1,165,000	-	275,000	890,000	280,000
Capital leases	99,424	-	49,514	49,910	49,910
Notes payable	25,568	300,000	25,568	300,000	300,000
Early retirement	320,301	85,017	31,043	374,275	110,930
Accrued vacations	4,302	-	150	4,152	4,152
Total	\$ 2,294,595	\$ 385,017	\$ 466,275	\$ 2,213,337	\$ 834,992

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2009 totaled \$31,043.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ended June 30,	Revenue Bond Issued March 1, 2006			
	Interest Rates	Principal	Interest	Total
2010	3.75-4.00%	\$ 280,000	\$ 32,625	\$ 312,625
2011	4.00%	300,000	21,400	321,400
2012	4.00%	310,000	9,300	319,300
Total		\$ 890,000	\$ 63,325	\$ 953,325

During the year ended June 30, 2009, the District made principal and interest payments totaling \$317,938.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2009, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

### Capital Leases

The District has leased a copier and laptop computers, which are being accounted for as capital leases. The following is a schedule of future lease payments under the capital leases, as of June 30, 2009.

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Copier	\$ 8,386	\$ -	\$ 5,439	\$ 2,947	\$ 2,947
Computers	91,038	-	44,075	46,963	46,963
Total	\$ 99,424	\$ -	\$ 49,514	\$ 49,910	\$ 49,910

During the year ended June 30, 2009 the District made principal and interest payments totaling \$55,960 under the agreements.

### Revenue Bond Payable

Details of the District's June 30, 2009 revenue bond indebtedness are as follow:

Year Ended June 30,	Revenue Bond Issued August 4, 2004			
	Interest Rates	Principal	Interest	Total
2010	3.75%	\$ 90,000	\$ 24,117	\$ 114,117
2011	4.10%	95,000	20,483	115,483
2012	4.30%	95,000	16,492	111,492
2013	4.45%	100,000	12,225	112,225
2014	4.60%	105,000	7,585	112,585
2015	4.70%	110,000	2,585	112,585
Total		\$ 595,000	\$ 83,487	\$ 678,487

During the year ended June 30, 2009, the District made principal and interest payments totaling \$112,295 under the agreement.

### Capital Loan Notes

The District issued \$300,000 of capital loan notes during the year ended June 30, 2009 complete construction on the stadium project. The payments are due are follows:

Year Ended June 30,	Interest Rates	Principal	Interest	Total
2010	5.30%	\$ 300,000	\$ 23,850	\$ 323,850

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$217,318, \$199,191, and \$177,311, respectively, equal to the required contributions for each year.

**(7) Risk Management**

Grundy Center Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$222,659 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **Required Supplementary Information**

**Grundy Center Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2009**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 4,196,827	\$ 209,091
Intermediate sources	-	-
State sources	3,065,231	3,693
Federal sources	204,403	117,847
Total Receipts	<u>\$ 7,466,461</u>	<u>\$ 330,631</u>
Disbursements:		
Instruction	\$ 4,481,960	\$ -
Support services	1,877,653	-
Non-instructional programs	1,500	310,247
Other expenditures	1,522,955	-
Total Disbursements	<u>\$ 7,884,068</u>	<u>\$ 310,247</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -417,607	\$ 20,384
Other financing sources, net	<u>301,423</u>	<u>-1,042</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -116,184	\$ 19,342
Balances beginning of year	<u>1,723,317</u>	<u>33,363</u>
Balances End of Year	<u>\$ 1,607,133</u>	<u>\$ 52,705</u>

See accompanying independent auditor's report.



	Total Actual	Budgeted Amounts Original	Budgeted to Actual Variance
\$	4,405,918	\$ 4,484,547	\$ -78,629
	-	-	-
	3,068,924	3,208,059	-139,135
	322,250	269,600	52,650
\$	7,797,092	\$ 7,962,206	\$ -165,114
<hr/>			
\$	4,481,960	\$ 4,546,955	\$ 64,995
	1,877,653	1,868,109	-9,544
	311,747	358,000	46,253
	1,522,955	1,760,509	237,554
\$	8,194,315	\$ 8,533,573	\$ 339,258
<hr/>			
\$	-397,223	\$ -571,367	\$ 174,144
	300,381	-	300,381
<hr/>			
\$	-96,842	\$ -571,367	\$ 474,525
	1,756,680	1,572,983	183,697
<hr/>			
\$	1,659,838	\$ 1,001,616	\$ 658,222
<hr/>			

**Grundy Center Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures in the support service function exceeded the amount budgeted.

## **Other Supplementary Information**

## Grundy Center Community School District

Combining Balance Sheet  
Non-Major Revenue Funds

June 30, 2009

	Special Revenue					Total
	Management	Physical Plant and Equipment Levy	Student Activity	Debt Service		
<b>Assets</b>						
Cash and pooled investments	\$ 79,348	\$ 81,380	\$ 77,015	\$ 31,060	\$	268,803
Receivables:						
Property Tax:						
Delinquent	2,178	3,337	-	4,001		9,516
Succeeding year	200,000	276,020	-	313,025		789,045
Accounts	-	-	1,127	-		1,127
<b>Total Assets</b>	<b>\$ 281,526</b>	<b>\$ 360,737</b>	<b>\$ 78,142</b>	<b>\$ 348,086</b>	<b>\$</b>	<b>1,068,491</b>
<b>Liabilities &amp; Fund Equity</b>						
Liabilities:						
Accounts payable	\$ -	\$ 8,509	\$ 4,578	\$ -	\$	13,087
Salaries and benefits payable	22,252	-	-	-		22,252
Deferred Revenue:						
Succeeding year property tax	200,000	276,020	-	313,025		789,045
Total Liabilities	<b>\$ 222,252</b>	<b>\$ 284,529</b>	<b>\$ 4,578</b>	<b>\$ 313,025</b>	<b>\$</b>	<b>824,384</b>
Fund Equity:						
Reserved	\$ -	\$ -	\$ -	\$ 35,061	\$	35,061
Unreserved fund balances	59,274	76,208	73,564	-		209,046
Total Fund Equity	<b>\$ 59,274</b>	<b>\$ 76,208</b>	<b>\$ 73,564</b>	<b>\$ 35,061</b>	<b>\$</b>	<b>244,107</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 281,526</b>	<b>\$ 360,737</b>	<b>\$ 78,142</b>	<b>\$ 348,086</b>	<b>\$</b>	<b>1,068,491</b>

## Grundy Center Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Revenue Funds**

Year Ended June 30, 2009

	Special Revenue				
	Management	Physical Plant and Equipment Levy	Student Activity	Debt Service	Total
Revenues:					
Local Sources:					
Local tax	\$ 168,114	\$ 265,736	\$ -	\$ 318,540	\$ 752,390
Other	6,444	8,766	384,107	788	400,105
State sources	115	178	-	214	507
Total Revenues	\$ 174,673	\$ 274,680	\$ 384,107	\$ 319,542	\$ 1,153,002
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 121,864	\$ -	\$ -	\$ -	\$ 121,864
Other instruction	-	-	421,291	-	421,291
Support Services:					
Student services	300	-	-	-	300
Instructional staff services	300	-	-	-	300
Administration services	2,000	-	-	-	2,000
Operation and maintenance of plant services	38,875	65,879	-	-	104,754
Transportation	15,218	89,963	-	-	105,181
Non-instructional programs	1,500	-	-	-	1,500
Other Expenditures:					
Facilities acquisition	-	121,200	-	-	121,200
Long-term debt:					
Principal	-	-	-	435,082	435,082
Interest and fees	-	-	-	77,051	77,051
Total Expenditures	\$ 180,057	\$ 277,042	\$ 421,291	\$ 512,133	\$ 1,390,523
Excess (deficiency) of revenues over (under) expenditures	\$ -5,384	\$ -2,362	\$ -37,184	\$ -192,591	\$ -237,521
Other Financing Sources (Uses):					
Proceed from capital lease	\$ -	\$ 300,000	\$ -	\$ -	\$ 300,000
Operating transfers in	-	-	-	193,796	193,796
Operating transfer out	-	-381,503	-	-	-381,503
Total Other Financing Sources (Uses)	\$ -	\$ -81,503	\$ -	\$ 193,796	\$ 112,293
Excess of revenues & other financing sources over expenditures & other financing uses	\$ -5,384	\$ -83,865	\$ -37,184	\$ 1,205	\$ -125,228
Fund balances beginning of year	64,658	160,073	110,748	33,856	369,335
Fund Balances End of Year	\$ 59,274	\$ 76,208	\$ 73,564	\$ 35,061	\$ 244,107

## Grundy Center Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2009

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Change	\$ 214	\$ -	\$ -	\$ -	\$ 214
Interest on investments	16,679	2,088	-	-	18,767
Student activity ticket sales	11,925	11,722	-	-	23,647
Past graduates	3,058	-	1,292	1,355	3,121
Class of 2007	1,196	-	-	-1,196	-
Class of 2008	234	-	-	-159	75
Class of 2009	4,265	491	2,976	-	1,780
Class of 2010	386	6,276	4,424	-	2,238
Class of 2011	220	93	-	-	313
Class of 2012	190	115	112	-	193
Cross country	-2,169	2,454	2,819	-	-2,534
Dance team	-3,649	7,218	10,173	-	-6,604
Vocal music/GC Jazz	348	4,114	3,189	-	1,273
Foreign student club	14	-	-	-	14
Spirit force (Pep club)	-401	-	-	-	-401
Drama/speech	5,042	2,336	3,940	-	3,438
Sharks	266	-	-	-	266
Elementary vocal music	1,179	-	-	-	1,179
Annual	1,747	9,155	12,610	-	-1,708
Band	7,358	2,860	2,522	-	7,696
TSA	-4	-	-	-	-4
Mexico trip	1	-	-	-	1
Middle School student senate	7,768	3,092	5,879	-	4,981
National Honor Society	-842	-	159	-	-1,001
High School student senate	3,109	5,347	4,875	-	3,581
Art club	372	2,783	2,039	-	1,116
Spanish club	4	-	-	-	4
TAG club	4,223	2,467	1,518	-	5,172
Middle School fund	1,702	944	526	-	2,120
Elementary student senate	38,421	47,358	57,722	-	28,057
FFA	6,305	8,032	9,179	-	5,158
Fellowship of Christian Athletes	274	-	-	-	274
G club	-2,402	-	-	-	-2,402
Girls softball	-6,721	6,406	4,295	-	-4,610
Boys basketball	19,560	7,755	8,282	-	19,033
Football	7,124	25,517	35,046	-	-2,405
Boys baseball	-13,265	7,261	9,038	-	-15,042
Boys track	-12,257	6,207	8,879	-	-14,929
Boys tennis	497	547	719	-	325
Boys golf	-61	1,482	1,305	-	116
Athletics-general	-53,136	2,205	10,880	-	-61,811
Music department	7,295	11,457	7,768	-	10,984
Playground	-5,706	-	2,680	-	-8,386
Stadium Renovation	-	115,938	131,951	-	-16,013

## Grundy Center Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2009

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Hall of Fame	\$ -	\$ 1,060	\$ 1,060	\$ -	\$ -
MS Read Across America	1,781	1,529	1,196	-	2,114
Soccer	3,024	880	1,498	-	2,406
Spartan clothing	-165	2,646	2,690	-	-209
Concessions	38,682	32,874	21,851	-	49,705
Wrestling	6,113	1,830	658	-	7,285
Girls basketball	15,906	12,906	12,103	-	16,709
Girls volleyball	14,096	15,120	18,935	-	10,281
Girls track	-8,329	6,465	8,489	-	-10,353
Girls tennis	-116	1,617	1,982	-	-481
Girls golf	-5,452	1,150	1,027	-	-5,329
Cheerleaders	624	862	900	-	586
Camps	313	-	-	-	313
Academic Decathlon	-6,092	1,448	2,105	-	-6,749
Totals	\$ 110,748	\$ 384,107	\$ 421,291	\$ -	\$ 73,564

**Grundy Center Community School District**

**Schedule of Changes in Fiduciary Assets and Liabilities –  
Agency Funds**

**Year ended June 30, 2009**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 5,095	\$ 329	\$ 364	\$ 5,060
<b>Total Assets</b>	<u>\$ 5,095</u>			<u>\$ 5,060</u>
<b>Liabilities</b>				
Accounts payable	\$ 5,095	\$ 329	\$ 364	\$ 5,060
<b>Total Liabilities</b>	<u>\$ 5,095</u>			<u>\$ 5,060</u>



**Grundy Center Community School District**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds**

**For the Last Six Years**

	Modified Accrual Basis		
	2009	2008	2007
<b>Revenues:</b>			
Local Sources:			
Local tax	\$ 3,072,240	\$ 2,654,620	\$ 2,501,957
Tuition	337,417	369,437	415,217
Other	787,170	940,856	873,250
Intermediate sources	-	-	-
State sources	3,065,231	3,022,179	2,705,942
Federal sources	204,403	233,811	251,312
<b>Total</b>	<b>\$ 7,466,461</b>	<b>\$ 7,220,903</b>	<b>\$ 6,747,678</b>
<b>Expenditures:</b>			
Instruction:			
Regular instruction	\$ 2,668,124	\$ 2,582,004	\$ 2,554,867
Special instruction	782,801	642,618	669,725
Other instruction	1,031,035	836,894	837,722
Support services:			
Student services	114,657	105,105	95,360
Instructional staff services	180,266	220,406	252,287
Administration services	693,604	657,058	605,127
Operation and maintenance of plant services	580,021	680,273	528,455
Transportation services	309,105	209,682	185,824
Non-instructional programs	1,500	1,500	-
Other expenditures:			
Facilities acquisition	788,163	248,636	302,643
Long-term debt:			
Principal	435,082	489,586	444,816
Interest and other charges	77,051	87,956	117,043
AEA flow-through	222,659	215,321	194,979
<b>Total</b>	<b>\$ 7,884,068</b>	<b>\$ 6,977,039</b>	<b>\$ 6,788,848</b>

See accompanying independent auditor's report.

Modified Accrual Basis		
2006	2005	2004
\$ 2,458,970	\$ 2,395,998	\$ 2,540,526
399,585	487,874	462,348
748,472	832,296	638,944
-	-	-
2,659,509	2,498,444	2,323,697
356,802	99,457	104,417
<u>\$ 6,623,338</u>	<u>\$ 6,314,069</u>	<u>\$ 6,069,932</u>

\$ 2,595,156	\$ 2,178,448	\$ 2,110,808
641,467	640,435	674,859
869,596	786,938	676,753
103,293	110,848	226,532
261,425	191,869	106,114
571,840	576,288	583,209
535,578	502,216	555,027
250,452	222,599	242,887
-	370	7,000
253,858	908,150	22,705
393,851	354,479	363,194
158,870	118,524	133,838
186,044	178,953	179,854
<u>\$ 6,821,430</u>	<u>\$ 6,770,117</u>	<u>\$ 5,882,780</u>

**Independent Auditor's Report Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

Independent Auditor's Report Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards

To the Board of Education of  
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 8, 2010. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Grundy Center Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Grundy Center Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Grundy Center Community School District's financial statements that is more inconsequential will not be prevented or detected by Grundy Center Community School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Grundy Center Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item I-A-09 is a material weakness.

### Compliance and Other Matters

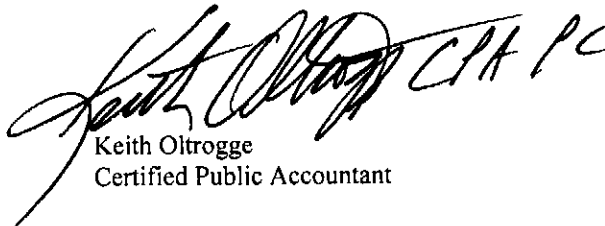
As part of obtaining reasonable assurance about whether Grundy Center Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grundy Center Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Grundy Center Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grundy Center Community School District and other parties to whom Grundy Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

February 8, 2010

**Grundy Center Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part I – Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

- I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- I-B-09 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small schools and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Grundy Center Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part II - Other Findings Related to Statutory Reporting:**

- II-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- II-B-09 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.

- II-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- II-F-09 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted. Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

- II-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-I-09 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

**Grundy Center Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part II - Other Findings Related to Statutory Reporting (continued):**

- II-J-09 Activity Accounts – Nineteen student activity accounts had deficit balances at June 30, 2009. Also, there are activity accounts such as “interest on investments” that are not activities. These accounts should be transferred to other accounts to cover some of the deficits.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

- II-K-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- II-L-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			376,234
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	211,196	
Other improvements		2,506	
Debt service for school infrastructure:			
Revenue debt		112,293	325,995
Ending balance		\$	<u>50,239</u>